

ANNUAL REPORT

OF

DULUTH, SOUTH SHORE AND
ATLANTIC RAILROAD COMPANY

For the Year Ended

December 31, 1949.

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ATLANTIC RAILROAD COMPANY

For the Year Ended
December 31, 1949.

DULUTH, SOUTH SHORE AND ATLANTIC RAILROAD COMPANY

DIRECTORS

R. S. Archibald	Negaunee, Mich.
N. R. Crump	Montreal, Que.
J. A. Dundas	Montreal, Que.
Endicott R. Lovell	Calumet, Mich.
Henry S. Mitchell	Minneapolis, Minn.
Ward R. Schafer	Duluth, Minn.
Herman F. Schmidt	Marquette, Mich.
Harry B. Stoker	Duluth, Minn.
Peter N. Todhunter	Chicago, Ill.

OFFICERS

Henry S. Mitchell,	President	Minneapolis, Minn.
P. L. Solether,	Vice President	" "
J. C. Peterson,	Secretary	" "
C. H. Bender,	Treasurer	" "
M. J. Tracy,	Assistant Secretary	" "
Wm. Leicester,	Assistant Treasurer	" "
L. H. Murray,	Asst. to the President	" "
H. F. Schmidt,	General Superintendent,	Marquette, Mich.
A. C. Stenberg,	General Traffic Manager	" "
J. B. Donnelly,	Comptroller	Minneapolis, Minn.

Bond Registrar and Paying Agent:
Central Hanover Bank & Trust Company of New York

Transfer Agent, Common Stock:
J. C. Peterson, Room 1406 First National Bank-Soo Line Building,
Minneapolis, Minnesota

Annual meeting, Third Tuesday in April; at Minneapolis,
Minnesota, unless otherwise designated.

The reorganization of the two predecessor companies, The Duluth, South Shore and Atlantic Railway Company and Mineral Range Railroad Company, under Section 77 of the Federal Bankruptcy Act, was consummated on November 1, 1949, on which date the present company, organized for that purpose under the laws of Minnesota, acquired and began to operate the properties of the two predecessor companies, which prior to that date had been managed and operated by a Trustee in Bankruptcy under the jurisdiction of the Bankruptcy Court.

In the following comparisons between 1949 and 1948 results, the figures for 1948 include those for both predecessor companies, and the figures for 1949 include those for both predecessor companies prior to November 1, 1949, and for the present company after that date.

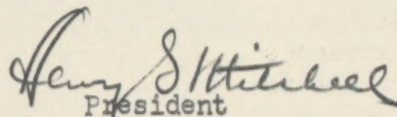
Total income from all sources during 1949 was \$5,693,628 as compared with \$6,587,019 in 1948, a decrease of \$893,391, or 13.56%. Although freight rate increases were allowed during 1949, the amount of freight carried, as measured in ton miles, decreased 17.28%, resulting in a decrease of \$878,668, or 14.43% in Freight Revenues.

Operating Expenses increased \$404,907, or 7.62% in 1949, due mainly to wage awards including the establishment of the 40 hour week, increased expenditures for ties, rail, track fastenings, injuries to persons, and certain general office services furnished by the Soo Line, and accruals to cover additional compensation claimed by the Soo Line for the use of certain of its facilities. Transportation expenses were somewhat lower because of reduced tonnage handled and the increased use of Diesel electric locomotives in place of steam after six additional diesels were placed in service in October and November, 1949. Taxes increased \$38,006, which was accounted for mainly by increases in Michigan State taxes. Miscellaneous Deductions from Income decreased \$174,123, due to the inclusion in 1948 accounts of fees paid for reorganization expenses amounting to \$199,589.

There was a Net Income deficit of \$542,186 in 1949 as compared to a Net Income of \$597,600 in 1948, exclusive of interest accrued but not paid prior to November 1, 1949, on the predecessor companies' bonds, notes and advances.

Improvements to the property were made during 1949 at a gross cost of \$1,845,469, consisting chiefly of betterments to track and purchase of three Diesel electric road-switch locomotives and three Diesel electric freight locomotives.

On behalf of the Board of Directors,


President

Minneapolis, Minnesota
March 14, 1950

COMPARATIVE GENERAL BALANCE SHEET

A S S E T S I D E

	Nov. 1, 1949	Dec. 31, 1949	Increase or (Decrease)
INVESTMENTS:			
Road and Equipment Property:			
Road	\$ 16 407 657	\$ 16 424 072	\$ 16 415
Equipment	4 915 983	5 460 325	544 342
Total	21 323 640	21 884 397	560 757
Less:			
Acquisition adjustment	2 637 996	2 637 996	-
Donations and grants	7 642	7 642	-
Accrued depreciation - road	1 860 476	1 872 980	12 504
Accrued depreciation - equipment	1 996 998	2 030 435	33 437
Total	6 503 112	6 549 053	45 941
Net	14 820 528	15 335 344	514 816
Sinking fund - First Mortgage	-	75 000	75 000
Deposits in lieu of mortgaged property sold	471 752	-	(471 752)
Miscellaneous physical property	29 453	29 453	-
Investments in affiliated companies:			
Stocks-pledged under First Mortgage	147 067	147 067	-
Advances	333 499	335 029	1 530
Other investments:			
U.S. Government securities (long term)	112 725	112 725	-
Miscellaneous	3 038	3 038	-
Total Investments	15 918 062	16 037 656	119 594
CURRENT ASSETS:			
Cash	901 130	1 271 394	370 264
U.S. Government securities (short term)	1 724 000	-	(1 724 000)
Special deposits:			
For interest obligations	5 650	41 802	36 152
For distribution to holders of bonds of predecessor companies	-	65 431	65 431
Employees' Income tax and Savings Bonds	87 796	41 780	(46 016)
Loans and bills receivable	241	157	(84)
Traffic and car service balances	46 195	32 101	(14 094)
Agents' and conductors' balances	88 514	94 905	6 391
Miscellaneous accounts receivable	397 056	265 355	(131 701)
Material and supplies	1 086 104	1 053 472	(32 632)
Interest and dividends receivable	13 034	121	(12 913)
Accrued accounts receivable	103 991	82 056	(21 935)
Other current assets	10 926	6 621	(4 305)
Total	4 464 637	2 955 195	(1 509 442)
DEFERRED ASSETS:			
Working fund advances	5 958	5 797	(161)
Other deferred assets	37 122	48 751	11 629
Total	43 080	54 548	11 468
UNADJUSTED DEBITS:			
Prepayments	4 639	15 387	10 748
Other unadjusted debits	586 848	70 630	(516 218)
Total	591 487	86 017	(505 470)
GRAND TOTAL	\$ 21 017 266	\$ 19 133 416	\$(1 883 850)

COMPARATIVE GENERAL BALANCE SHEET

LIABILITY SIDE

	Nov. 1, 1949	Dec. 31, 1949	Increase or (Decrease)
CAPITAL STOCK:			
210,000 common shares for no par value stated at \$50.00 per share	\$ 10 500 000	\$ 10 500 000	\$ -
LONG-TERM DEBT:			
First Mortgage 4% income bonds due January 1, 1995	5 000 000	5 000 000	-
Equipment obligations	1 896 119	1 761 272	(134 847)
Total	6 896 119	6 761 272	(134 847)
CURRENT LIABILITIES:			
Audited accounts and wages payable	425 885	425 298	(587)
Miscellaneous accounts payable	97 344	105 721	8 377
Interest matured unpaid	601 639	41 971	(559 668)
Accrued accounts payable	135 278	173 096	37 818
Taxes accrued	141 557	136 164	(5 393)
Other current liabilities	1 263 218	109 279	(1 153 939)
Total	2 664 921	991 529	(1 673 392)
DEFERRED LIABILITIES:	80 500	140 723	60 223
UNADJUSTED CREDITS:	246 616	282 104	35 488
SURPLUS:			
Earned surplus - appropriated	75 000	75 000	-
Earned surplus - unappropriated	554 110	382 788	(171 322)
Total	629 110	457 788	(171 322)
GRAND TOTAL	<u>\$ 21 017 266</u>	<u>\$ 19 133 416</u>	<u>\$(1 883 850)</u>

INCOME ACCOUNT

	Predecessor Companies 1-1-49 to 10-31-49			Reorganized Company 11-1-49 to 12-31-49	Total 1949
	DSS&A Ry.	Min.Range	Total		
Railway Operating Revenues:					
Freight revenue	4 250 520	155 864	4 406 384	804 468	5 210 852
Passenger revenue	129 279	-	129 279	15 873	145 152
All other revenue	273 099	15 923	289 022	48 602	337 624
Total Railway Operating Revenues	4 652 898	171 787	4 824 685	868 943	5 693 628
Railway Operating Expenses:					
Maintenance of Way & Structures	1 273 036	55 005	1 328 041	198 789	1 526 830
Maintenance of Equipment	1 001 217	2 244	1 003 461	222 041	1 225 502
Traffic	177 315	3 908	181 223	36 216	217 439
Transportation	2 005 691	77 959	2 083 650	447 406	2 531 056
General	179 126	6 429	185 555	35 299	220 854
Total Railway Operating Expenses	4 636 385	145 545	4 781 930	939 751	5 721 681
Net Revenue from Railway Operations	16 513	26 242	42 755	(70 808)	(28 053)
Railway Tax Accruals	264 625	8 511	273 136	48 193	321 329
Railway Operating Income	(248 112)	17 731	(230 381)	(119 001)	(349 382)
Rent Income:					
Rent from locomotives	14 983	-	14 983	4 212	19 195
Rent from passenger train cars	858	-	858	164	1 022
Rent from work equipment	1 068	-	1 068	186	1 254
Joint facility rent income	16 774	10 467	27 241	1 854	29 095
Total Rent Income	33 683	10 467	44 150	6 416	50 566
Rents Payable:					
Hire of freight cars-debit balance	109 779	21 909	131 688	24 363	156 051
Rent for locomotives	8 617	4 652	13 269	-	13 269
Rent for passenger train cars	3 732	-	3 732	631	4 363
Rent for work equipment	356	925	1 281	(29)	1 252
Joint facility rents	52 613	5 401	58 014	7 201	65 215
Total Rents Payable	175 097	32 887	207 984	32 166	240 150
Net Rents Payable	(141 414)	(22 420)	(163 834)	(25 750)	(189 584)
Net Railway Operating Income	(389 526)	(4 689)	(394 215)	(144 751)	(538 966)
Other Income:					
Miscellaneous rent income	9 029	1 242	10 271	1 837	12 108
Misc. non-operating physical property	1 545	65	1 610	222	1 832
Income from funded securities	6 471	-	6 471	619	7 090
Income from unfunded securities and accounts	25 782	-	25 782	195	25 977
Income from sinking and other reserve funds	-	41	41	-	41
Total Other Income	42 827	1 348	44 175	2 873	47 048
Total Income	(346 699)	(3 341)	(350 040)	(141 878)	(491 918)

INCOME ACCOUNT - CONTINUED

	Predecessor Companies 1-1-49 to 10-31-49			Reorganized Company 11-1-49 to 12-31-49	Total 1949
	DSS&A Ry.	Min.Range	Total		
Misc. Deductions from Income:					
Miscellaneous rents	-	63	63	1	64
Miscellaneous tax accruals	31	-	31	-	31
Separately operated properties- Loss	3 484	-	3 484	23 713	27 197
Miscellaneous income charges	963	-	963	-	963
Total Miscellaneous Deductions	4 478	63	4 541	23 714	28 255
Income before Fixed Charges	(351 177)	(3 404)	(354 581)	(165 592)	(520 173)
Fixed Charges*					
Interest on equipment obligations and miscl. interest	14 699	9	14 708	7 305	22 013
Net Income	(365 876)	(3 413)	(369 289)	(172 897)	(542 186)

* These figures do not include interest accrued but not paid in the period January 1, 1949 to October 31, 1949 on the predecessor companies' bonds, notes and advances, as follows:

746 221	69 624	815 845	-	815 845
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CONDENSED COMPARATIVE INCOME STATEMENT

	Total 1949	Predecessor Companies Year 1948		Increase or (Decrease) year 1949 compared with year 1948
		DSS&A Ry.	Min.Range	Total
Railway Operating Revenues	5 693 628	6 327 049	259 970	6 587 019 (893 391)
Railway Operating Expenses	5 721 681	5 123 097	193 677	5 316 774 404 907
Net Revenue from Railway Operations	(28 053)	1 203 952	66 293	1 270 245 (1 298 298)
Railway Tax Accruals	321 329	274 951	8 372	283 323 38 006
Railway Operating Income	(349 382)	929 001	57 921	986 922 (1 336 304)
Net Equipment and Jt.Fac. Rents-Dr.	189 584	215 049	24 218	239 267 (49 683)
Net Railway Operating Income	(538 966)	713 952	33 703	747 655 (1 286 621)
Other Income	47 048	55 568	1 692	57 260 (10 212)
Total Income	(491 918)	769 520	35 395	804 915 (1 296 833)
Misc. Deductions from Income	28 255	202 281	97	202 378 (174 123)
Income Available for Fixed Charges	(520 173)	567 239	35 298	602 537 (1 122 710)
Fixed Charges *	22 013	4 930	7	4 937 17 076
Net Income	(542 186)	562 309	35 291	597 600 (1 139 786)

* These figures do not include interest accrued but not paid prior to Nov. 1, 1949 on the predecessor companies' bonds, notes and advances as follows:

815 845	895 464	83 550	979 014	(163 169)
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Figures enclosed in parentheses indicate red character.

